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Macroeconomic policy questions: external debt sustainability and development

Report of the Second Committee*

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I. Introduction

1. The Second Committee held a substantive debate on agenda item 18 (see A/73/536, para. 2). Action on sub-item (c) was taken at the 23rd and 27th meetings, on 8 November and 3 December 2018. An account of the Committee's consideration of the sub-item is contained in the relevant summary records.[1]

II. Consideration of draft resolutions A/C.2/73/L.11 and A/C.2/73/L.50

2. At the 23rd meeting, on 8 November, the representative of Egypt, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "External debt sustainability and development" (A/C.2/73/L.11).

3. At its 27th meeting, on 3 December, the Committee had before it a draft resolution entitled "External debt sustainability and development" (A/C.2/73/L.50), submitted by the Vice-Chair of the Committee, Hessa Alateibi (United Arab Emirates), on the basis of informal consultations held on draft resolution A/C.2/73/L.11.

4. At the same meeting, the Committee was informed that draft resolution A/C.2/73/L.50 had no programme budget implications.

5. Also at the same meeting, the Committee adopted draft resolution A/C.2/73/L.50 (see para. 8).

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* The report of the Committee on this item is being issued in five parts, under the symbols A/73/536, A/73/536/Add.1, A/73/536/Add.2, A/73/536/Add.3 and A/73/536/Add.4.

[1] A/C.2/73/SR.23 and A/C.2/73/SR.27.

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6. After the adoption of the draft resolution, the representative of the United States of America made a statement.

7. In the light of the adoption of draft resolution A/C.2/73/L.50, draft resolution A/C.2/73/L.11 was withdrawn by its sponsors.

III. Recommendation of the Second Committee

8. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

External debt sustainability and development

The General Assembly,

Recalling its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004, 60/187 of 22 December 2005, 61/188 of 20 December 2006, 62/186 of 19 December 2007, 63/206 of 19 December 2008, 64/191 of 21 December 2009, 65/144 of 20 December 2010, 66/189 of 22 December 2011, 67/198 of 21 December 2012, 68/202 of 20 December 2013, 69/207 of 19 December 2014, 70/190 of 22 December 2015, 71/216 of 21 December 2016 and 72/204 of 20 December 2017,

Noting the work of the United Nations in this area,

Reaffirming its resolution 70/1 of 25 September 2015, entitled "Transforming our world: the 2030 Agenda for Sustainable Development", in which it adopted a comprehensive, far-reaching and people-centred set of universal and transformative Sustainable Development Goals and targets, its commitment to working tirelessly for the full implementation of the Agenda by 2030, its recognition that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development, its commitment to achieving sustainable development in its three dimensions — economic, social and environmental — in a balanced and integrated manner, and to building upon the achievements of the Millennium Development Goals and seeking to address their unfinished business,

Reaffirming also its resolution 69/313 of 27 July 2015 on the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which is an integral part of the 2030 Agenda for Sustainable Development, supports and complements it, helps to contextualize its means of implementation targets with concrete policies and actions, and reaffirms the strong political commitment to address the challenge of financing and creating an enabling environment at all levels for sustainable development in the spirit of global partnership and solidarity,

Welcoming the Paris Agreement[1] and its early entry into force, and encouraging all its parties to fully implement the Agreement, and parties to the United Nations Framework Convention on Climate Change[2] that have not yet done so to deposit their instruments of ratification, acceptance, approval or accession, where appropriate, as soon as possible,

Recalling the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome document,[3]

Emphasizing that debt sustainability is essential for underpinning growth, underlining the importance of debt sustainability, debt transparency and effective debt management to the efforts to achieve the Sustainable Development Goals, and acknowledging that debt crises are costly and disruptive, including for employment and productive investment, and tend to be followed by cuts in public spending, including on health and education, affecting the poor and vulnerable in particular,

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[1] Adopted under the UNFCCC in FCCC/CP/2015/10/Add.1, decision 1/CP.21.

[2] United Nations, *Treaty Series*, vol. 1771, No. 30822.

[3] Resolution 63/303, annex.

Reaffirming that each country has primary responsibility for its own development and that the role of national policies and development strategies, including in the area of debt management, is central to the achievement of sustainable development, and recognizing that national efforts, including to achieve development goals and to maintain debt sustainability, should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and ensuring respect for national ownership, strategies and sovereignty,

Reiterating that debt sustainability depends on a confluence of many factors at the international and national levels, and emphasizing that country-specific circumstances and the impact of external shocks, such as volatile commodity and energy prices, and of international capital flows, should continue to be taken into account in debt sustainability analyses,

Expressing concern about the adverse impact of the continuing fragility of the global economy and the slow pace of the restoration of global growth and trade, including the impact on development, cognizant that the global economy remains in a challenging phase, with many downside risks, including net negative capital flows from some emerging and developing economies, continued low commodity prices, high unemployment, in particular among young people, and rising private and public indebtedness in many developing countries, and stressing the need for continuing efforts to address systemic fragilities and imbalances and to reform and strengthen the international financial system while implementing the reforms agreed upon to date to attend to these challenges and to make progress towards sustaining global demand,

Expressing deep concern that global growth has remained strongly dependent on unprecedented increases in global debt stocks in the years since the global financial crisis, and, in conjunction with the fast integration of developing countries into international financial markets, including for purposes of debt refinancing, exposes a growing number of developing economies to highly sensitive and amplified reactions to even mildly adverse economic developments, or the perception of such, in financial markets,

Underlining that, globally, the gross domestic product growth rate could increase significantly if every country achieved gender equality, and recognizing that the economic and social losses owing to a lack of progress in achieving gender equality and the empowerment of women and girls are significant,

Recognizing the important role, on a case-by-case basis, of debt relief, including debt cancellation, as appropriate, and debt restructuring as debt crisis prevention, management and resolution tools,

Recalling the Sendai Declaration and the Sendai Framework for Disaster Risk Reduction 2015–2030,[4] reiterating that severe natural disasters and social or economic shocks can undermine a country's debt sustainability, and noting that public creditors have taken steps to ease debt repayment obligations through debt rescheduling and debt cancellation following an earthquake or a tsunami and in the context of the Ebola crisis in West Africa, and encouraging consideration of further debt relief steps, where appropriate, and/or other measures for countries affected in this regard, as feasible,

Expressing deep concern that a number of countries in special situations, in particular African countries, the least developed countries, landlocked developing countries and small island developing States, as well as some middle-income countries, face challenges in servicing their debt and that, in spite of international

[4] Resolution 69/283, annexes I and II.

efforts, a growing number of developing countries continue to struggle with high debt burdens and are classified, in accordance with the debt sustainability assessments, as being in debt distress or at high risk of debt distress,

Taking note of the operational guidelines for sustainable financing promoted by the Group of 20, while urging the Group to continue to engage in an inclusive and transparent manner with other States Members of the United Nations in its work, in order to ensure that the initiatives of the Group complement or strengthen the United Nations system, and noting the progress achieved in the implementation of the operational guidelines,

1. *Takes note* of the report of the Secretary-General;[5]

2. *Emphasizes* the special importance of timely, effective, comprehensive and durable solutions to the debt problems of developing countries to promote their economic growth and development;

3. *Recognizes* the importance, in particular, of new and emerging challenges and vulnerabilities in regard to developing country external debt sustainability arising from structural changes to overall debt composition, the rapid growth of private sector debt in many emerging and developing countries and the growing use of new debt financing instruments and approaches;

4. *Notes* the growing concerns about fast-rising corporate debt, high-risk exposure to volatile international financial markets and fast-growing debt servicing burdens as potential triggers of financial and debt crises and the consequent need for coordinated policy responses;

5. *Stresses* the dual responsibility of creditors and debtor countries to avoid a build-up of unsustainable debt so as to reduce the risk of relapsing into another debt crisis, taking into account the challenges posed by the global economic environment and risks for debt sustainability in some developed and developing countries, and the need to continue to assist developing countries in this regard;

6. *Acknowledges* the role played by the Debt Sustainability Framework for Low-Income Countries, jointly developed by the International Monetary Fund and the World Bank, to guide borrowing and lending decisions, and welcomes the approval in 2017 of the comprehensive reform of the Framework, which aims to improve its assessment of a country's debt carrying capacity by incorporating additional country specific information and methodological advances to increase the accuracy in the prediction of debt distress;

7. *Reiterates* that no single indicator should be used to make definitive judgments about a country's debt sustainability, and, in view of the new challenges and vulnerabilities for developing countries' external debt sustainability, substantiated by the work of the United Nations Conference on Trade and Development and recent joint analyses of the International Monetary Fund and the World Bank, stresses the need for improved data collection and quality in areas that include domestic public debt and domestic and external private debt, as well as legal and regulatory features, such as ownership, currency denomination and jurisdiction according to national priorities;

8. *Also reiterates* that timely and comprehensive data on the level and composition of debt are necessary for, inter alia, building early warning systems aimed at limiting the impact of debt crises, calls for debtor and creditor countries to intensify their efforts to collect and release data, where appropriate, welcomes the ongoing work of relevant institutions to apply innovative tools for monitoring

[5] A/73/180.

financial stress in developing countries and to create a central data registry that includes information on debt restructuring, and calls for donors to consider increasing their support for technical cooperation programmes aimed at increasing the statistical capacity of developing countries in that regard;

9. *Encourages* the United Nations system, including the World Bank Group, the International Monetary Fund and other relevant stakeholders, to continue to conduct analytical activities and to provide policy advice and technical assistance to Governments, upon request, in the areas of managing debt, and operating and maintaining databases, and in this regard recalls that the United Nations Conference on Trade and Development should continue its analytical and policy work and technical assistance on debt issues, including the Debt Management and Financial Analysis System Programme, so that this extends not only to improvements in the timeliness and accuracy of debt data recording, but also to the enhanced coverage of public sector and other relevant debt data, including, in particular, heretofore unrecorded or hidden debt instruments, contingent liabilities and more complex debt instruments;

10. *Stresses* the need to strengthen information-sharing and transparency among all creditors and borrowers to make sure that debt sustainability assessments are based on comprehensive, objective and reliable data, including an assessment of national public and private debt, in order to ensure the achievement of sustainable development goals, encourages further improvement of the mutual exchange of information, on a voluntary basis, on borrowing and lending among all creditors and borrowers, and takes note of the Paris Forum initiative, which is aimed at gathering together sovereign creditors and debtors to share views and information, promoting greater debt transparency and preserving debt sustainability;

11. *Recognizes* that the long-term sustainability of debt depends on, inter alia, economic growth, the mobilization of domestic and international resources, the export prospects of debtor countries, sustainable debt management, sound macroeconomic policies that also support job creation, transparent and effective regulatory frameworks and success in overcoming structural development problems, and hence on the creation of an enabling environment at all levels that is conducive to development, and also recognizes the need to assist developing countries in attaining long-term debt sustainability;

12. *Notes with concern* that some low- and middle-income developing countries that were not part of the existing debt relief initiatives now have large debt burdens that may create constraints on mobilizing the resources needed to achieve the Sustainable Development Goals, indicating a need to consider, as appropriate, stronger debt management initiatives for those countries, and stresses the importance of medium- and long-term debt sustainability to deal with bilateral and non-Paris Club debt;

13. *Underlines* the fact that heavily indebted poor countries eligible for debt relief will not be able to enjoy the full benefits unless all creditors, both public and private, contribute to debt workouts, as appropriate, in order to ensure the debt sustainability of those countries, and invites creditors, both private and public, that are not yet fully participating in debt relief initiatives to substantially increase their participation, including by providing comparable treatment, to the extent possible, to debtor countries that have concluded sustainable debt relief agreements with creditors;

14. *Stresses* the need for the international community to remain vigilant in monitoring the debt situation of developing countries, including the least developed countries, landlocked developing countries and small island developing States, and to continue to take effective measures, preferably within existing frameworks, when

applicable, to address the debt problem of those countries, acknowledges that sound debt management initiatives can play a key role in liberating resources that should be directed towards activities consistent with the eradication of poverty in all its forms and dimensions, including extreme poverty, and with the promotion of sustained economic growth and development and the internationally agreed development goals, including the Sustainable Development Goals, and in this regard urges countries to direct the resources freed through debt relief, in particular through debt cancellation and reduction, towards achieving those objectives, including in the context of the 2030 Agenda for Sustainable Development, according to their national priorities and strategies;

15. *Notes* that countries can seek to negotiate, as a last resort, on a case-by-case basis and through existing frameworks, agreements on temporary debt standstills between debtors and creditors in order to help to mitigate the adverse impacts of a debt crisis and stabilize macroeconomic developments;

16. *Acknowledges* the efforts of, and invites creditors to provide additional flexibility to, developing countries affected by natural disasters so as to allow them to address their national debt concerns, while taking into account their specific economic and social situations and needs;

17. *Recognizes* that the detrimental impact of disasters on the debt sustainability of many least developed countries, small island developing States and middle-income countries warrants further attention and that preserving external debt sustainability requires ex ante financing to enable the systematic reduction of disaster risk and resilience-building, as well as the disclosure of disaster risk to avoid exacerbating debt distress, when feasible, and in this regard recognizes that many least developed countries, small island developing States and middle-income countries have limited access to financing to invest in disaster risk reduction for resilience before and after disasters;

18. *Also recognizes* the importance of the creation of robust, nationally appropriate legal and regulatory frameworks for sustainable national and municipal borrowing, on the basis of sustainable debt management, supported by adequate revenues and capacities, by means of local creditworthiness, as well as expanded sustainable municipal debt markets, when appropriate, and in this regard underlines the importance of the establishment of appropriate financial intermediaries for urban financing, such as regional, national, subnational and local development funds or development banks, including pooled financing mechanisms, which can catalyse public and private, national and international financing;

19. *Underlines* the importance of multilateral efforts to tackle increasingly complex cross-border challenges that have serious effects on development and debt sustainability;

20. *Recognizes* the role of the United Nations and of the international financial institutions, in accordance with their respective mandates, and encourages them to continue to support global efforts towards sustained and inclusive growth, sustainable development and the external debt sustainability of developing countries, including through continued monitoring of global financial flows and their implications in this regard;

21. *Reiterates* that debtors and creditors must work together in a transparent manner to prevent and resolve unsustainable debt situations and that maintaining sustainable debt levels is the responsibility of the borrowing countries, acknowledges that lenders also have a responsibility to lend in a way that does not undermine a country's debt sustainability, and in this regard takes note of the principles on responsible sovereign lending and borrowing of the United Nations Conference on

Trade and Development, recognizes the applicable requirements of the debt limits policy of the International Monetary Fund and/or the non-concessional borrowing policy of the World Bank and the safeguards of the Development Assistance Committee of the Organization for Economic Cooperation and Development in its statistical system to enhance the debt sustainability of recipient countries, and resolves to work towards a global consensus on guidelines for debtor and creditor responsibilities in borrowing by and lending to sovereigns, building on existing initiatives;

22. *Calls for* the intensification of efforts to prevent and mitigate the prevalence and cost of debt crises by enhancing international financial mechanisms for crisis prevention and resolution, encourages the private sector to cooperate in this regard, and invites creditors and debtors to further explore, where appropriate and on a mutually agreed, transparent and case-by-case basis, the use of new and improved debt instruments such as debt swaps, including debt for equity in Sustainable Development Goal projects, as well as debt indexation instruments;

23. *Notes* the holding of the ninth Debt Management Facility Stakeholders' Forum in Brussels on 28 and 29 May 2018, and encourages the United Nations Conference on Trade and Development, the World Bank and the International Monetary Fund to continue their analytical and policy work and technical assistance on debt issues and to promote policies for responsible, sustainable and transparent sovereign borrowing and lending, as appropriate;

24. *Expresses its concern* regarding the ability of non-cooperative minority bondholders to disrupt the will of the large majority of bondholders who accept a restructuring of a debt-crisis country's obligations, given the potential broader implications in other countries, notes legislative steps taken by certain countries to prevent these activities and encourage all Governments to take action, as appropriate, and, furthermore, takes note of discussions in the United Nations on debt issues;

25. *Encourages* Governments to be mindful of the ability of non-cooperative minority bondholders to block a restructuring of a debt-crisis country's obligations, and encourages debtors and creditors to work together to draft bond agreements accordingly;

26. *Welcomes* the reforms to pari passu and collective action clauses proposed by the International Capital Market Association and endorsed by the International Monetary Fund to reduce the vulnerability of sovereigns to holdout creditors, encourages countries to take further action to include those clauses in all their bond issuances, and welcomes the continued work of the International Monetary Fund to monitor the uptake of the clauses and explore options for resolving the issue with the outstanding stock of debt without such clauses;

27. *Recalls* that the United Nations, as a universal intergovernmental body, has provided a platform for both creditors and debtors to discuss ways to improve external debt sustainability, requests the annual Economic and Social Council forum on financing for development follow-up to organize a substantive expert debate among the major institutional stakeholders on how to improve debt sustainability and debt restructuring, and in this regard invites continued ongoing cooperation among the international financial institutions, including the Bretton Woods institutions, in particular the International Monetary Fund, relevant United Nations entities, including the United Nations Conference on Trade and Development, and other relevant forums, in accordance with their respective mandates, pursuant to the relevant resolutions on this matter;

28. *Also recalls* the establishment of the Intergovernmental Group of Experts on Financing for Development of the United Nations Conference on Trade and

Development, notes its meeting held in Geneva in November 2018, at which the issue of debt sustainability was an item for deliberation, and recalls the request that the work of the Intergovernmental Group of Experts be presented as a regular input to the forum on financing for development follow-up;

29. *Reiterates* the invitation to the President of the General Assembly and the Secretary-General to give appropriate consideration to the central role of maintaining and facilitating the financial and macroeconomic stability of developing countries, including debt sustainability, and of supporting an appropriately enabling domestic and international economic, financial and regulatory environment for the means of implementation of the 2030 Agenda for Sustainable Development, and in this regard invites all major institutional stakeholders, including the International Monetary Fund, the World Bank and the United Nations Conference on Trade and Development, to support these efforts, in accordance with their respective mandates;

30. *Invites* donor countries, taking into account country-specific debt sustainability analyses, to continue their provision of concessional and grant-based financing to developing countries, which could contribute to debt sustainability in the medium to long term, and notes the provision by the International Monetary Fund of interest relief to eligible developing countries in the form of zero-interest loans;

31. *Invites* the international community to continue efforts to increase support, including financial and technical assistance, for institutional capacity-building in developing countries to enhance sustainable upstream and downstream debt management as an integral part of national development strategies, including by promoting transparent and accountable debt management systems and negotiation and renegotiation capacities and through supporting legal advice in relation to tackling external debt litigation and debt data reconciliation between creditors and debtors so that debt sustainability may be achieved and maintained;

32. *Requests* the United Nations Conference on Trade and Development, and invites the International Monetary Fund and the World Bank, in cooperation with the regional commissions, regional development banks and other relevant multilateral financial institutions and stakeholders, to continue and intensify cooperation in respect of activities relating to capacity-building and to early warning monitoring systems in developing countries in the area of debt management and debt sustainability, with a view to contributing to the implementation of the 2030 Agenda for Sustainable Development;

33. *Calls upon* all Member States and the United Nations system to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt sustainability of developing countries;

34. *Requests* the Secretary-General to submit to the General Assembly, at its seventy-fourth session, a report on the implementation of the present resolution and to include in his report an assessment of the potential impact of investment requirements to meet the Sustainable Development Goals on developing countries' external debt sustainability, and decides to include in the provisional agenda of its seventy-fourth session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "External debt sustainability and development", unless otherwise agreed.